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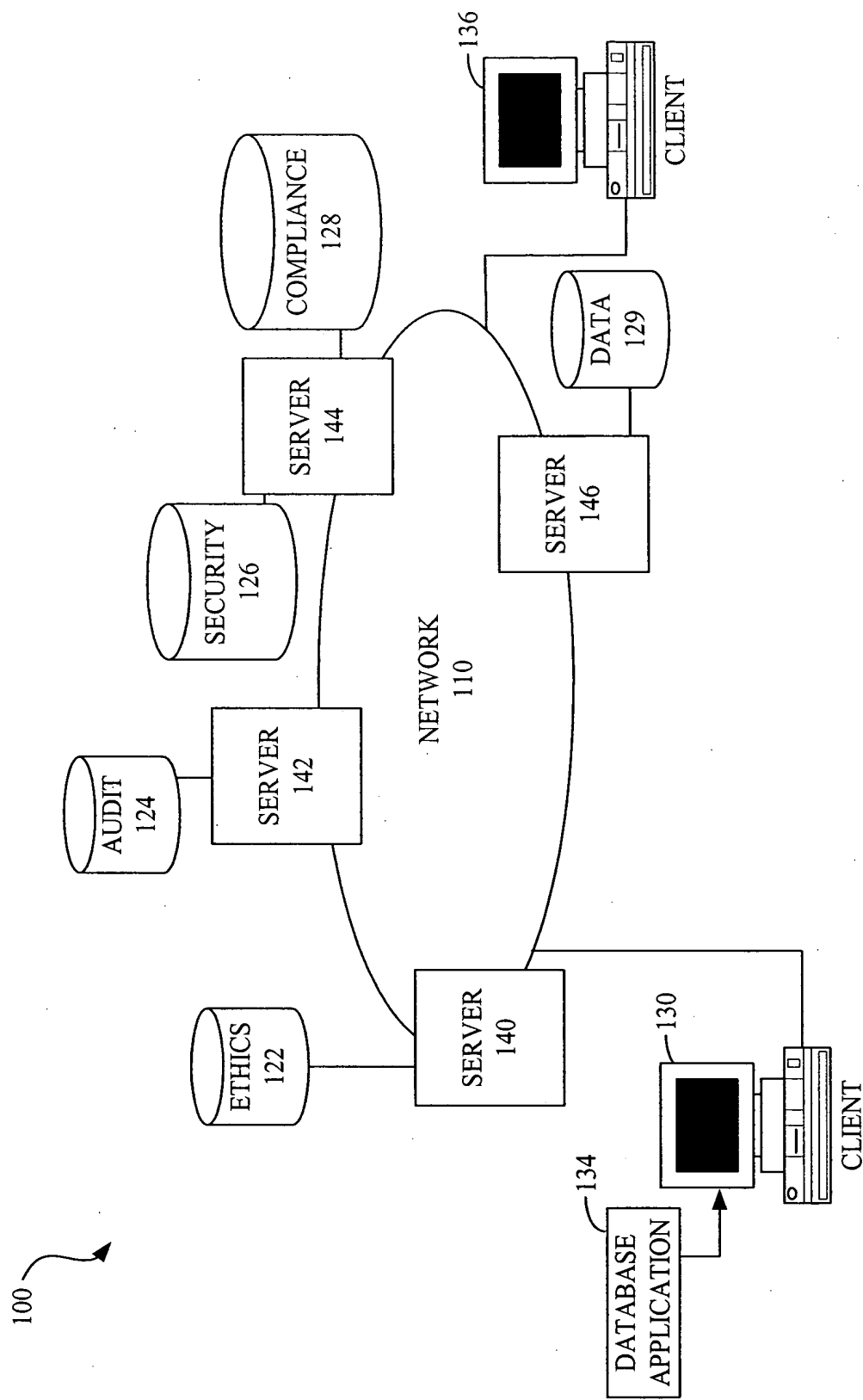


FIG. 1

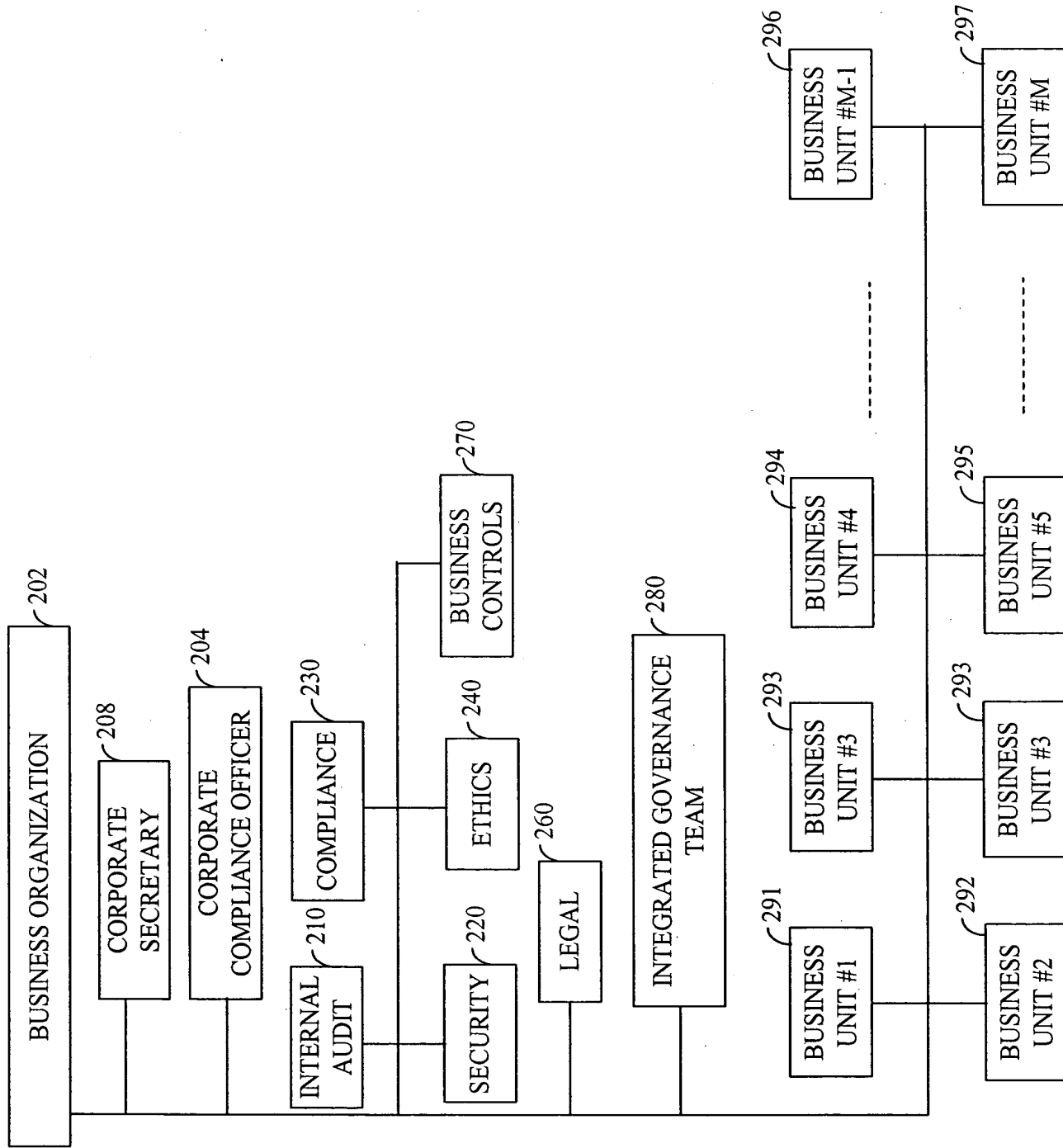


FIG. 2

## CORE COMPLIANCE AREAS

AIRCRAFT/AIRSPACE - FAA REGULATIONS	LABOR & EMPLOYMENT
ANTITRUST/FAIR COMPETITION	POLITICAL ACTIVITY/LOBBYING
BANKING REGULATIONS & LAWS	PRIVACY LAWS/CUSTOMER DATA
CONSUMER PROTECTION/ SALES PRACTICES	REAL ESTATE/ BUILDING CODES
ENVIRONMENTAL, HEALTH, & SAFETY	INFORMATION MANAGEMENT
EXPORT PRACTICES	REGULATORY ACCOUNTING & REPORTING
FINANCIAL REPORTING & ACCOUNTING PRACTICES	REGULATORY COMPLIANCE
FOREIGN PRACTICES	GOVERNMENTAL RELATIONS
INTELLECTUAL PROPERTY	SECURITIES AND INSIDER TRADING REGULATIONS
VENDOR RELATIONS	TAX

FIG. 3

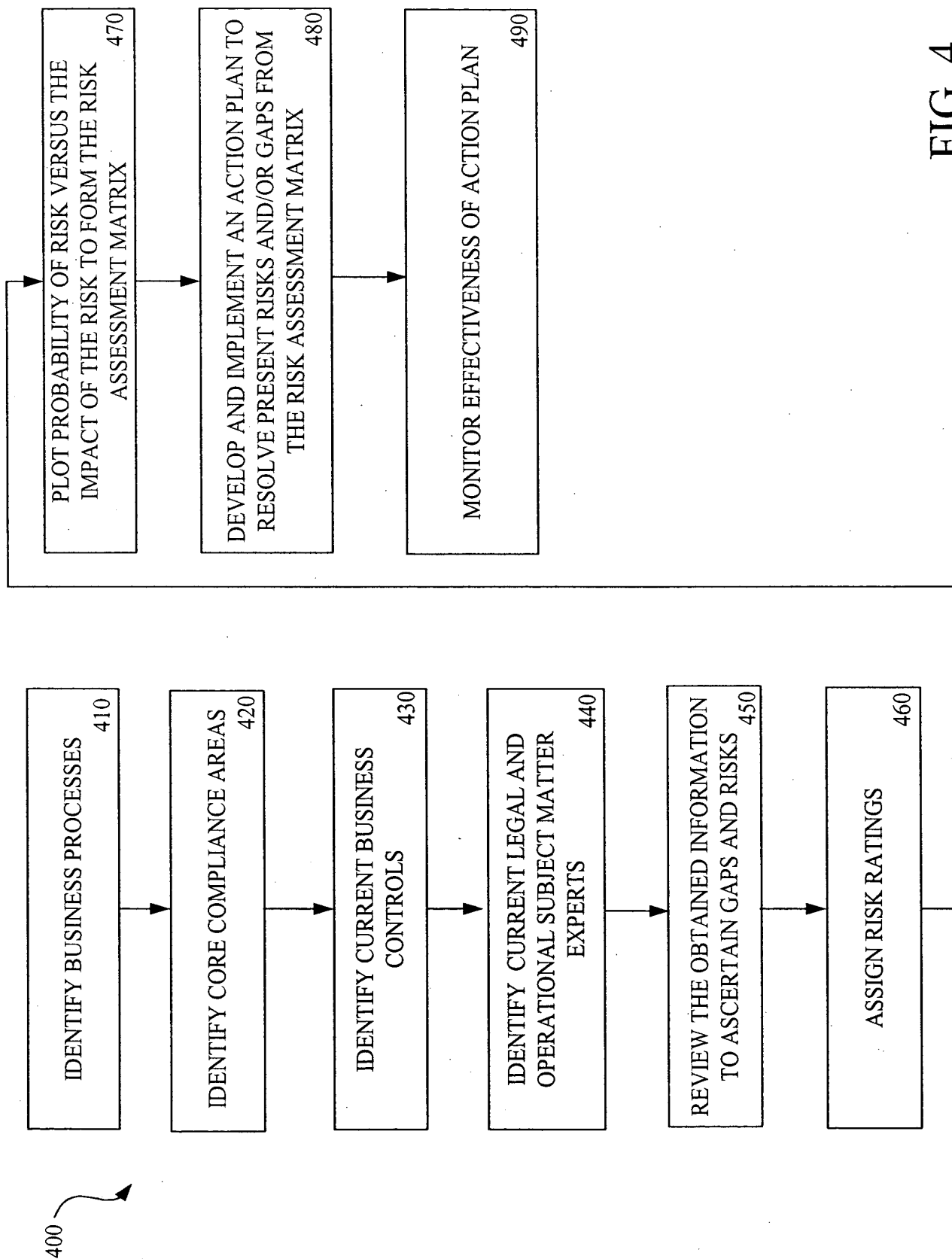
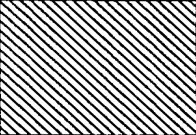
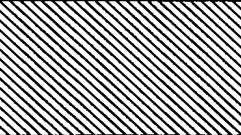

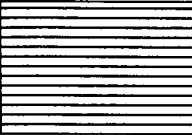

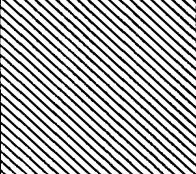

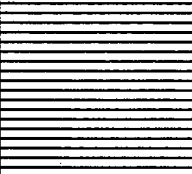
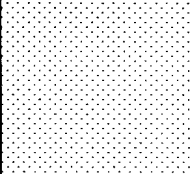
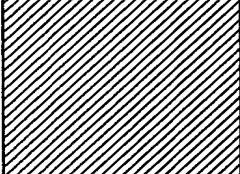
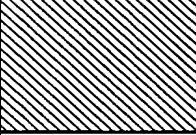
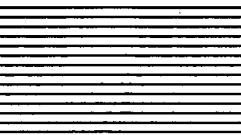
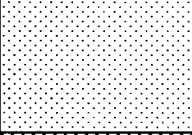
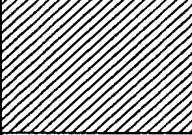

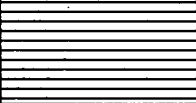
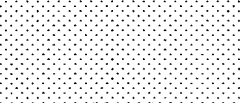



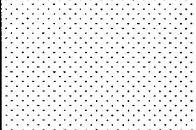
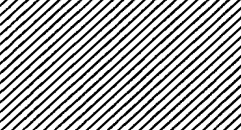










FIG. 4

500

# RISK ASSESSMENT MATRIX

IMPACT	RISK OF OCCURRENCE				
	HIGH	HEIGHTENED	MODERATE	UNLIKELY	NEGLIGIBLE
EXTREME					
HIGH					
MEDIUM					
LOW					
NEGLIGIBLE					

## KEY FOR BUSINESS CONTROL LEVELS

SENIOR MANAGEMENT INTERVENTION		ORANGE
SIGNIFICANT OPERATIONS REVIEW		YELLOW
SPECIFIC MONITORING PROCEDURES		BLUE
ROUTINE PROCEDURES		GREEN
NOT APPLICABLE		WHITE

510

FIG. 5

# SUMMARY BY ENTITIES

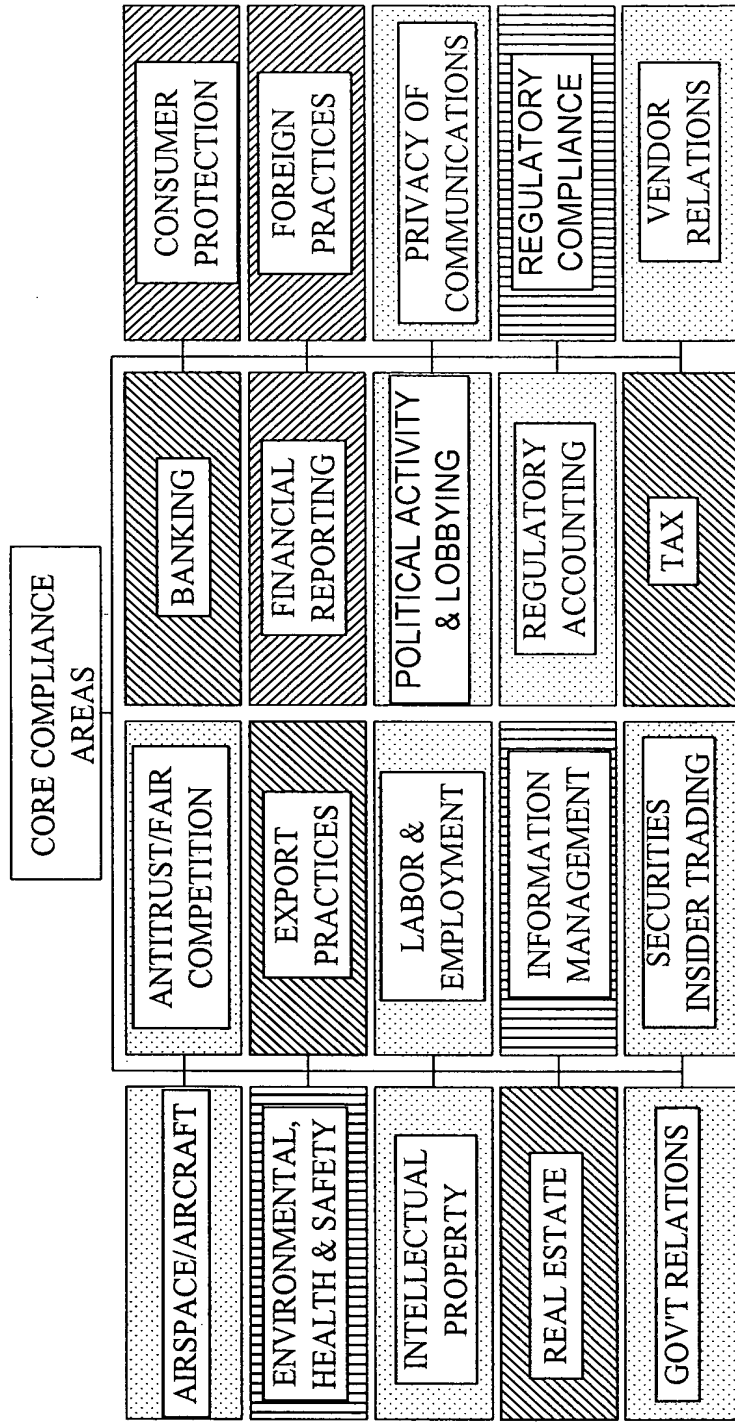
600

ENTITY	BU1	BU2	BU3	BU4	BU5	BU6	BU7	BU8	BU9	BU10	BU11	ALL
AIRCRAFT/AIRSPACE												
ANTITRUST FAIR COMPETITION												
BANKING												
CONSUMER PROTECTION/SALES PRACTICES												
ENVIRON., HEALTH, & SAFETY												
EXPORT												
FINANCIAL REPORTING												
FCPA												
INTELLECTUAL PROPERTY PROPRIETARY INFORMATION												
LABOR & EMPLOYMENT												
POLITICAL ACTIVITY LOBBYING												
PRIVACY OF COMMUN. AND CUSTOMER DATA												
REAL ESTATE & BLDG. CODES												
RECORDS & INFO. MGMT.												
REGULATORY ACCOUNTING & REPORTING												
REGULATORY COMPLIANCE												
RELATIONS WITH GOV'TS												
SECURITIES & INSIDER TRAINING												
TAX												
VENDOR												

SENIOR MGMT INTERVENTION  
 SPECIFIC MONITORING PROCEDURES  
 ORANGE /ROUTINE PROCEDURES  
 BLUE / SIGNIFICANT OPERATIONS REVIEW  
 YELLOW /NOT APPLICABLE  
 WHITE

FIG. 7

ENTERPRISE VIEW  
CORE COMPLIANCE AREAS



KEY FOR BUSINESS CONTROL LEVELS

SENIOR MANAGEMENT INTERVENTION	ORANGE	SPECIFIC MONITORING PROCEDURES	BLUE
SIGNIFICANT OPERATIONS REVIEW	YELLOW	ROUTINE PROCEDURES	GREEN
	NOT APPLICABLE	WHITE	



ENTERPRISE STATUS REPORT  
BASELINE AND 2Q05

FIG. 8

DUE DILIGENCE STEPS	PLAN TO ADDRESS	STRENGTH	STATUS
1. ESTABLISHED COMPLIANCE STANDARDS AND PROCEDURES	COMPLIANCE INVENTORY AND RISK ASSESSMENT	BASELINE: COMPLIANCE INVENTORY AND RISK ASSESSMENT PROCESS WAS REVISED TO INCLUDE MORE DESCRIPTIVE DEFINITIONS OF CORE COMPLIANCE AREAS 1Q03: 85% BUSINESS UNITS COMPLETED THEIR NEW INVENTORY AND RISK ASSESSMENT BY 3/31/05 2Q03: 100% OF NEW INVENTORY AND RISK ASSESSMENT COMPLETED	UNDER DEVELOPMENT
2. SPECIFIC INDIVIDUALS WITH ASSIGNED OVERALL RESPONSIBILITIES	COMPLIANCE POLICY BOARD (CPB)	BASELINE: 5 COMPLIANCE CPB MEETINGS SCHEDULED FOR 2003 1Q05: REPORTS AT CPB FROM CUSTOMER MARKETS AND GOVERNANCE ON 3-18-05 2Q05: REPORTS AT CPB FROM HUMAN RESOURCES, PLANNING AND DEVELOPMENT AND ADVERTISING AND PUBLISHING ON 6-10-05	
3. DELEGATION OF SUBSTANTIAL DISCRETIONARY AUTHORITY	HUMAN RESOURCES PROCEDURES	BASELINE: THE HR STAFF ORGANIZATIONS MANAGE PROCEDURES THAT REQUIRE BACKGROUND CHECKS FOR ALL NEW HIRES	

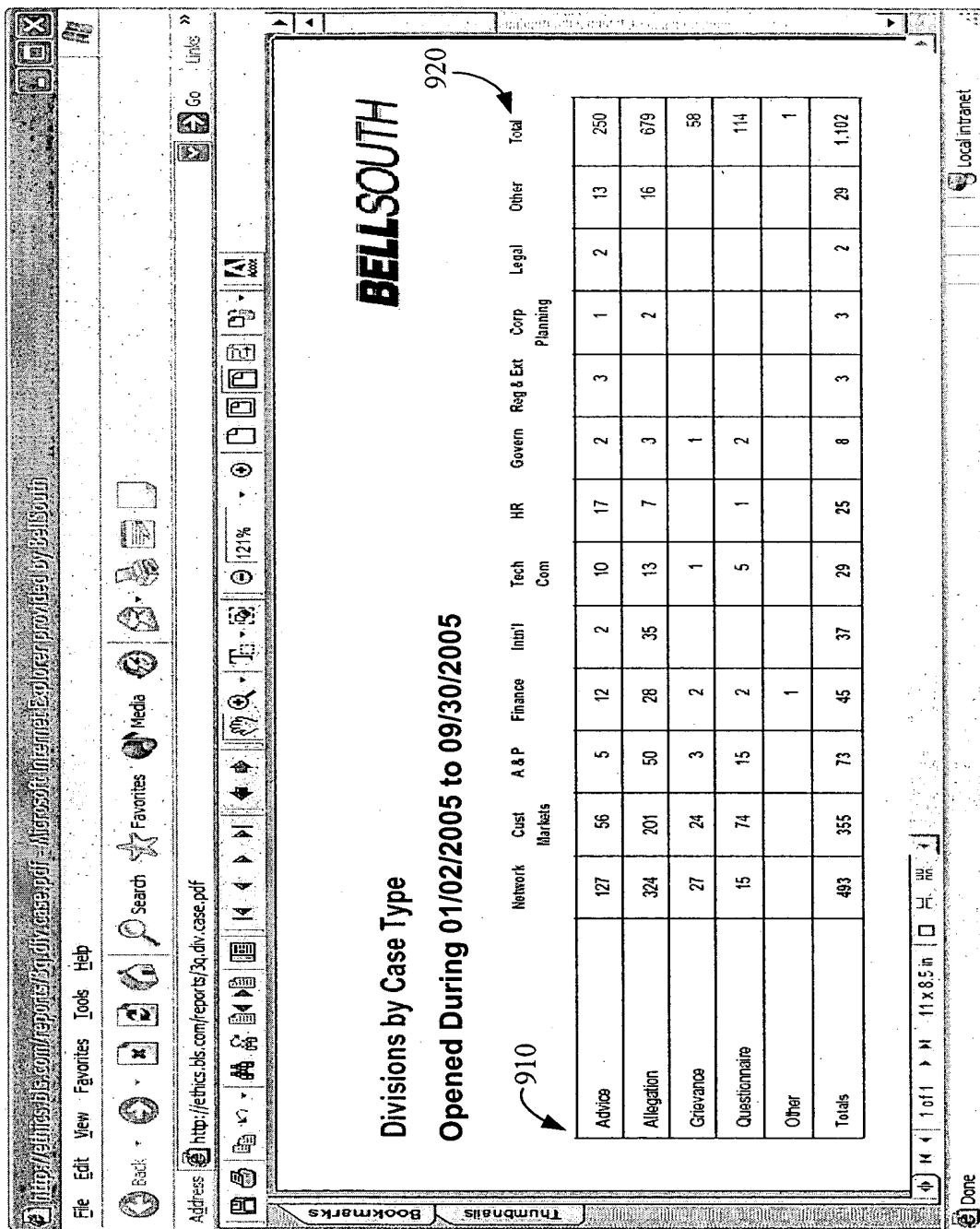


FIG. 9

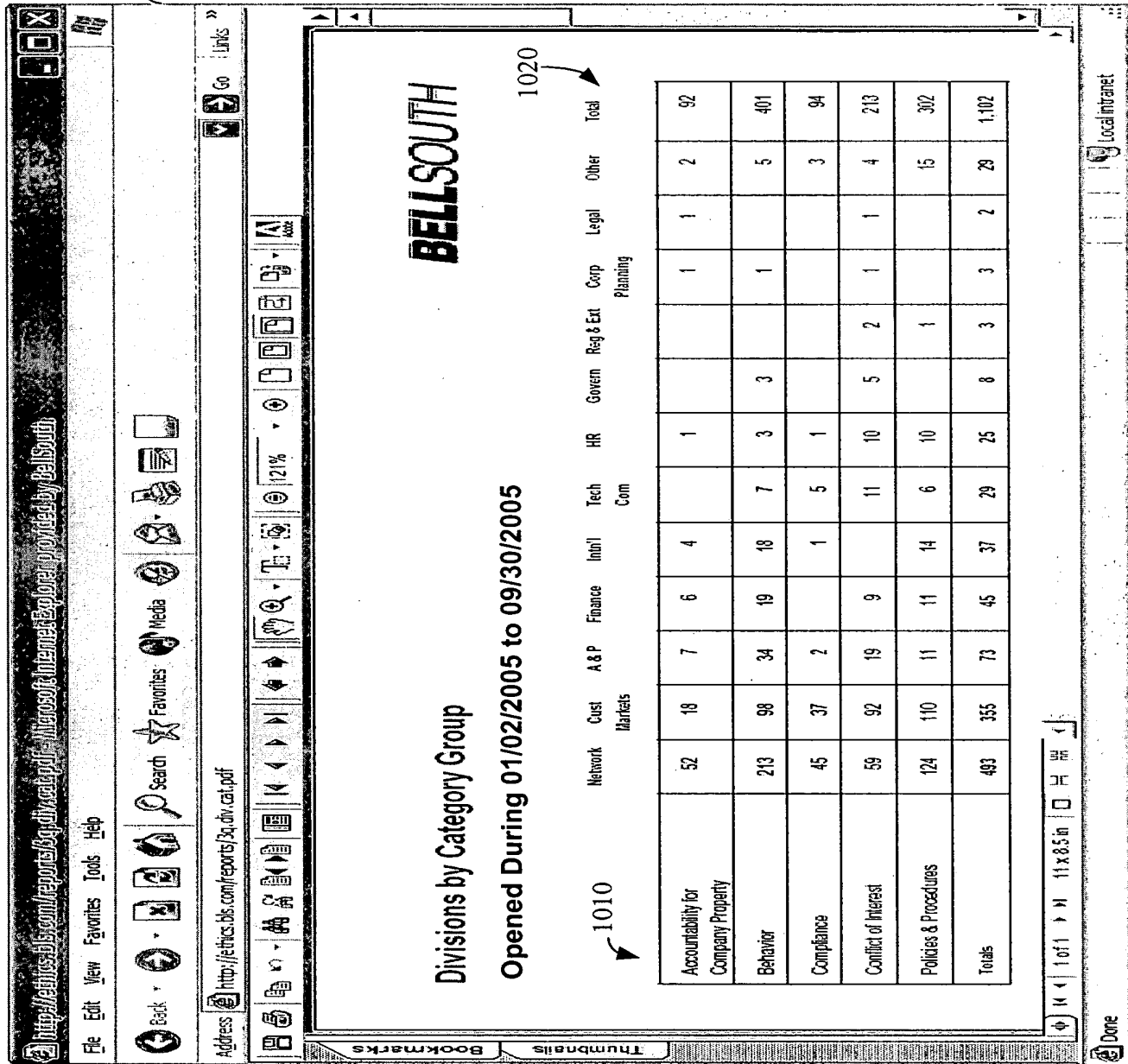


FIG. 10

## >> About Ethics and Compliance

### About Ethics

The Office of Ethics and Compliance is available to help answer your questions and address your concerns regarding Ethics and Compliance at BellSouth.

Although the Office of Ethics and Compliance was established to assist BellSouth employees, we are also available to other stakeholders who may have questions about Ethics and Compliance.

One of our top priorities is to create an environment where you can feel supported and protected when you are faced with ethical situations. Our staff members are experienced and well-trained, and will help you resolve your situation, confidentially and appropriately.

Contacting the BellSouth Office of Ethics and Compliance is a safe, confidential way to ask questions, voice concerns, clarify gray areas, or report a suspected violation.

**The Role of the Office of Ethics and Compliance is to provide:**

- Leadership for ethics activities
- Ensure activities fit entities' needs
- A safety valve for employees

**The Role of the Employee is to:**

- Make ethics a part of your everyday job
- Be a role model
- Help others to make the right decisions
- Ask, if you don't know the answer!

*Information regarding how to contact our office and what happens when you contact our office can be viewed by clicking the "What's It All About" button on the left.*

### Ethics Main Menu

- [Ethics Home Page](#)
- [About Ethics & Compliance](#)
- [What's It All About?](#)
- [OPR Booklet](#)
- [Compliance](#)
- [COI Questionnaire](#)
- [Corporate Values](#)
- [Games & Scenarios](#)
- [Reports](#)
- [Resources](#)
- [Training](#)
- [Ethics Fast Facts](#)
- [In The News](#)
- [What Would You Do?](#)
- [Contact Ethics](#)
- [Policies at BellSouth](#)
- [BellSouth Expectations](#)
- [NewsSource Scenarios](#)
- [On-line Affirmation](#)

FIG. 11

AutoAudit - Lotus Notes

File Edit View Create Actions Help

Workspaces

AutoAudit X

Search in View

Follow Audit Schedule

Search for

Year

2003

2004

Audit Name

1220

Status

1230

Hours

1250

Group

1240

Audit Type

1250

Original Audit Schedule

12130

1	2004-006 Yasmin's Audit	Current Audit	350 Domestic	Special Investigation
1	2004-008 Diana's Audit	Current Audit	1050 Domestic	Legal Investigation
1	2004-010 Seth's Audit	Current Audit	500 Domestic	Special Investigation
1	2004-012 Juan Carlos's Audit	Current Audit	340 Domestic	Special Investigation
1	2004-015 Michael's Audit	Current Audit	1200 Domestic	Legal Investigation
1	2004-017 Laurie's Audit	Current Audit	550 Domestic	Special Investigation
1	2004-003 Stephanie's Audit	Current Audit	650 Domestic	Early Entry
1	2004-013 Andres' Audit	Current Audit	760 Domestic	Early Entry
1	2004-018 Saleem's Audit	Current Audit	750 Domestic	Early Entry
1	2004-004 Betty's Audit	Current Audit	850 Domestic	Legal Investigation
1	2004-005 Mark's Audit	Current Audit	950 Domestic	Operations Review
1	2004-007 Tammy's Audit	Current Audit	450 Domestic	Early Entry
1	2004-009 Rehm's Audit	Current Audit	750 Domestic	Operations Review
1	2004-011 Jason's Audit	Current Audit	700 Domestic	Operations Review
1	2004-014 Bob's Audit	Current Audit	980 Domestic	Operations Review
1	2004-016 Stephen's Audit	Current Audit	750 Domestic	Operations Review
1	2004-019 Jim's Audit	Current Audit	550 Domestic	Operations Review
			9850	
			9350	
			23653	
			11790	
			58023	

2005

2006

2007

2008

Home

AutoAudit

Lotus Notes

Risk Navigator

Microsoft Word

Office

3:27 PM

1200

FIG. 12

1310

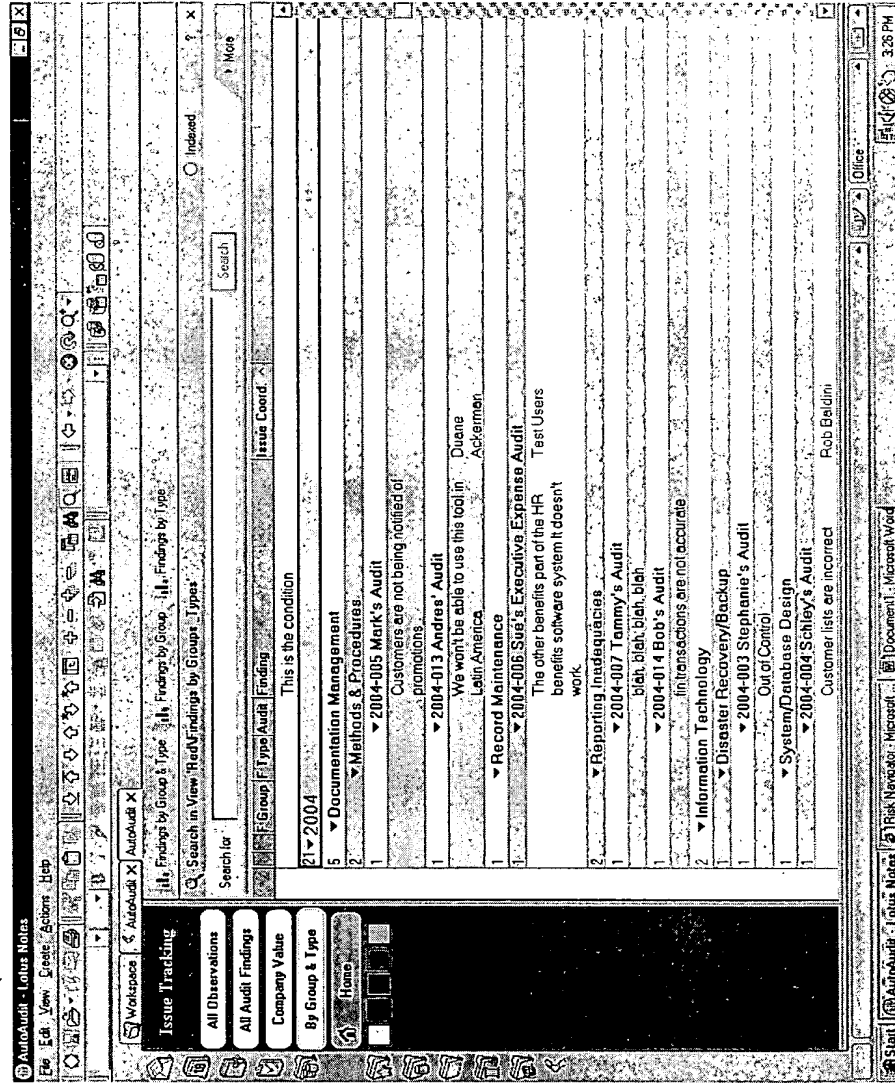


FIG. 13



Report Wizard - Lotus Notes

File Edit View Create Actions Text Window Help

OK Cancel

Report Groups >>>> Sub-Group or Categorize by: Summary Stats by Class [v] [RESET]

CSO Results Data [v]

Entity: AL BS DS Class: 01 02 03 Study Bubbles: 01 07 09 AND OR

Exclude: ☐ Class 08 ☐ Class 24 ☐ Class 99 ☐ Zero Files

Case Manager Director

CASE DEMOGRAPHICS

Case Subject Type(s) [v]

Case Worked For [v]

Location [v]

Resources Affected [v]

Incident Types [v]

CLOSED Cases That

Opened on or after [v] and on or before [v] [CLEAR]

Closed on or after [v] and on or before [v] [CLEAR]

OPEN Cases That

Opened on or after [v] and on or before [v] [CLEAR]

Not Processed Cases That

Created on or after [v] and on or before [v] [CLEAR]

Display ☐ Query String ☒ Report Help Date Format [v] Dates

Microsoft Office

FIG. 15





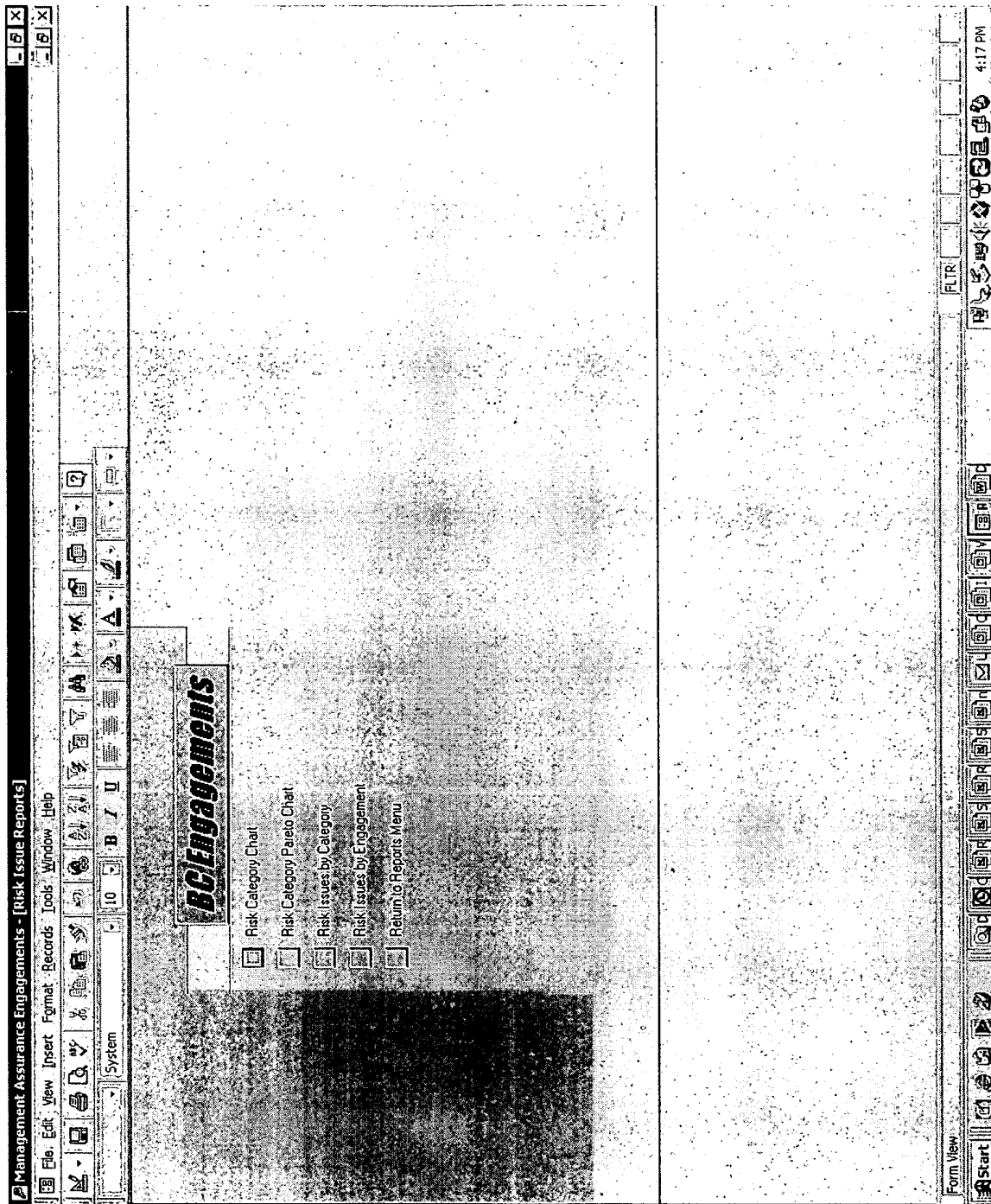


FIG. 17

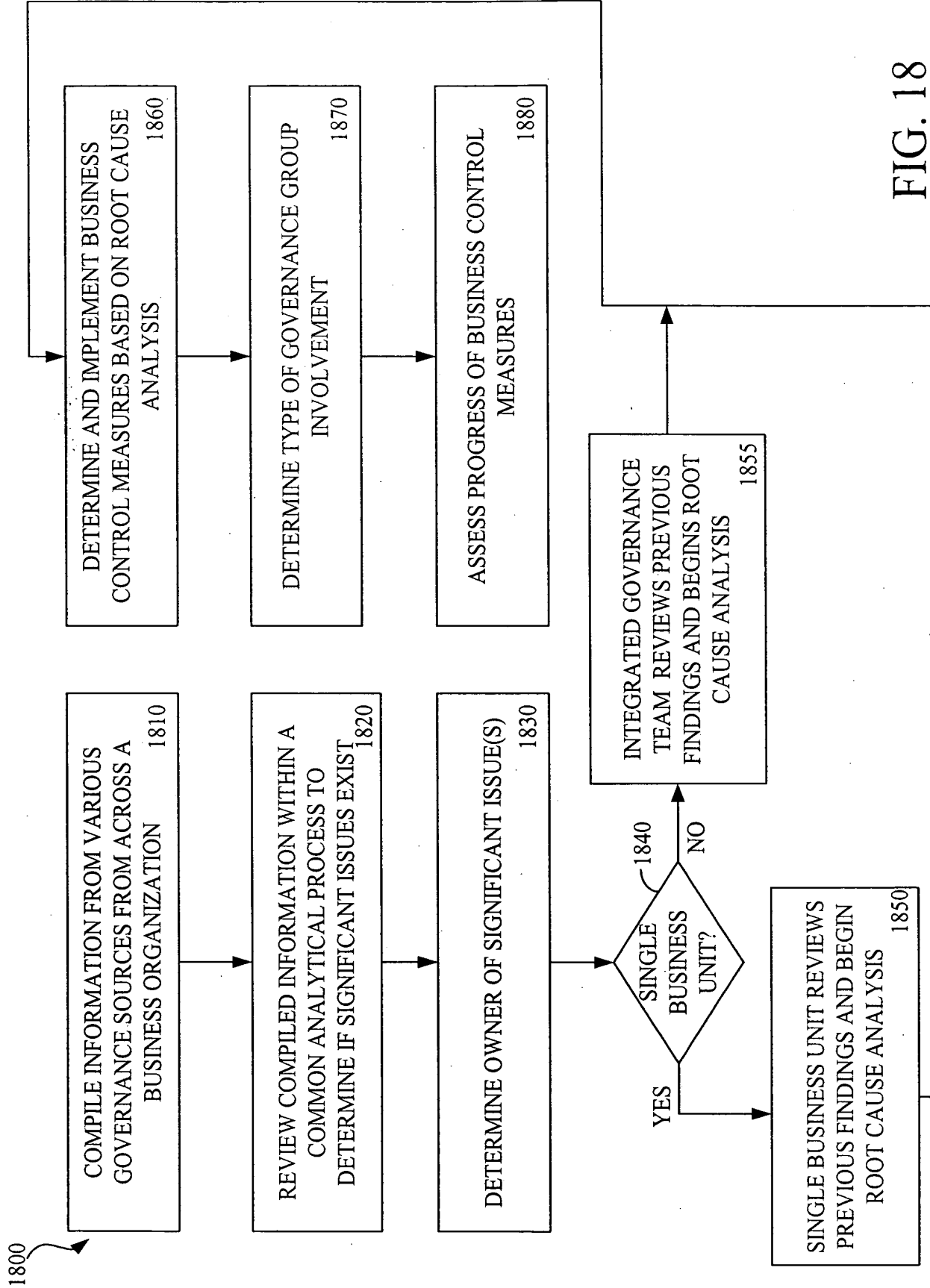


FIG. 18

GOVERNANCE DATA TEMPLATE

ISSUE	BUSINESS UNIT(S)	SOURCE/DATE	DESCRIPTION	POLICY INVOLVED
CREDIT CARD MISUSE	ALL	ETHICS CALLS/1Q05 SECURITY INVESTIGATIONS/ 1Q05	EMPLOYEES ARE USING THEIR CORPORATE CREDIT CARDS FOR PERSONAL USE	BUSINESS TRAVEL AND ENTERTAINMENT POLICY

FIG. 19

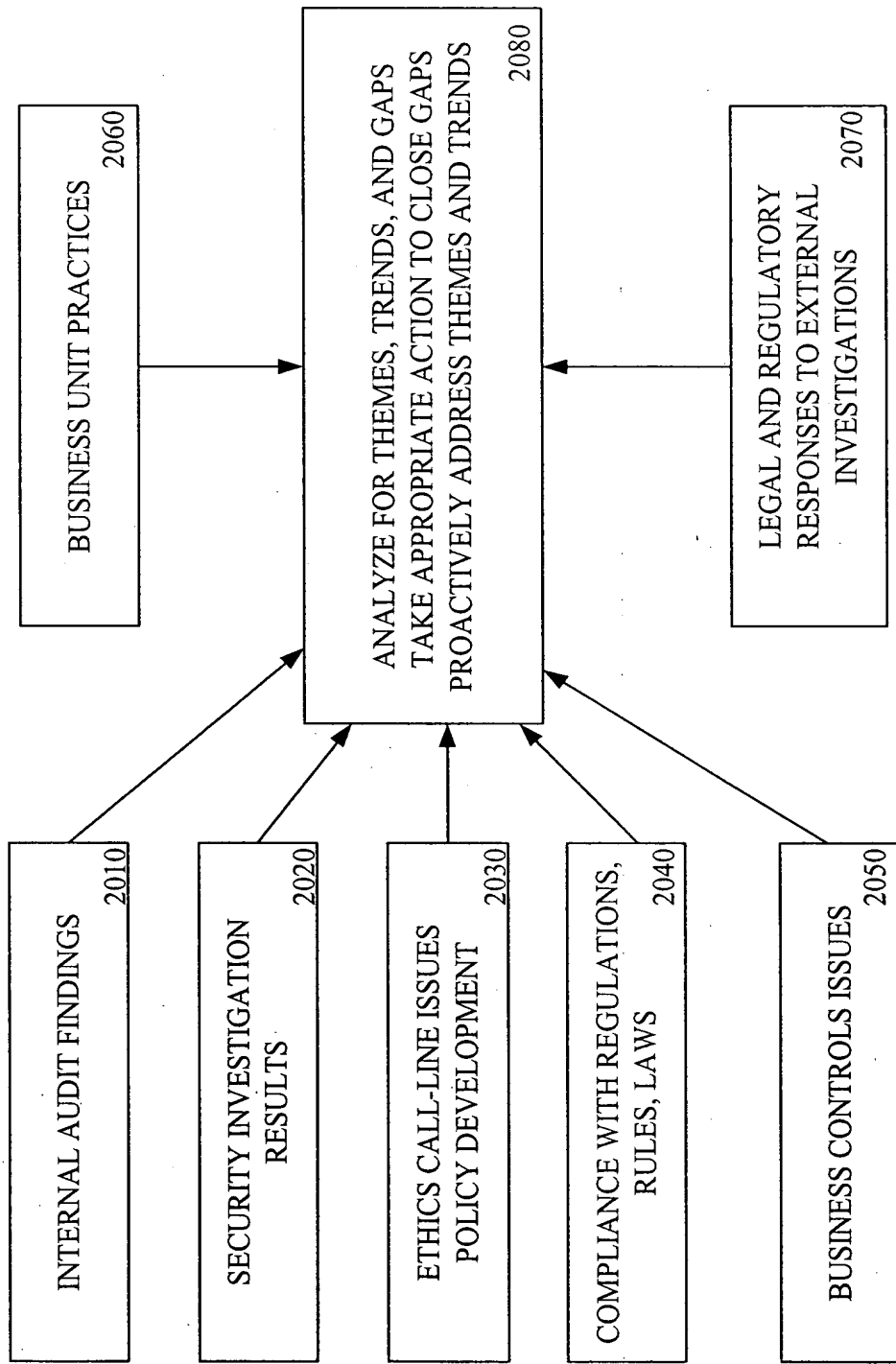


FIG. 20

## ROOT CAUSE ANALYSIS

ISSUE: EMPLOYEES ARE USING THEIR CORPORATE CREDIT CARD FOR PERSONAL USE.

	ROOT CAUSE(S)	GOVERNANCE ORGANIZATION ACTIVITIES	ENTITY ACTION PLANS
✓	<p>MONITORING OF DAILY \ ACTIVITIES:</p> <p>NO MONITORING REPORTS WERE AVAILABLE</p>	<p>▷ BASIC MONTHLY SUPERVISOR REPORT OF TRANSACTIONS SHOULD BE AVAILABLE IN SEPTEMBER (DETECTIVE)</p> <p>▷ BASIC WILL PROVIDE ONE-TIME LISTING OF ALL EMPLOYEES WITH CREDIT CARDS FOR DEPARTMENTS TO REVIEW (PREVENTIVE)</p>	<p>▷ ASSESS THE NEED FOR CASH ADVANCES AND DISALLOW SAME IF APPROPRIATE (PREVENTIVE)</p> <p>▷ REVIEW RETAIL SPENDING LIMITS AND LOWER IF APPROPRIATE (PREVENTIVE)</p>
✓	<p>COMMUNICATION FLOW: EMPLOYEES MAY BE UNAWARE THAT CREDIT CARDS SHOULD BE USED FOR BUSINESS TRAVEL AND ENTERTAINMENT ONLY</p>	<p>▷ DEVELOPED ONE PAGE MEMORANDUM OUTLINE ORGANIZATION'S EXPECTATIONS (PREVENTIVE)</p>	<p>▷ COVER EXISTING EMPLOYEES ON ORGANIZATION'S EXPECTATIONS (PREVENTIVE)</p> <p>▷ COVER NEW HIRES ON ORGANIZATION'S EXPECTATIONS (PREVENTIVE)</p>

FIG. 21

# KEY GOVERNANCE ISSUES IN ENTITY 1

PAGE #	ORGANIZATION	AREA	SOURCE BC - BUSINESS CONTROLS	ISSUE OWNER
8	EMERGING/ ORGANIZATION-WIDE ISSUES	PROFESSIONAL BEHAVIOR	ETHICS, SECURITY, BC	ALL
9		"QUICK INTRODUCTION TO COMPANY EXPECTATIONS"	COMPLIANCE	ALL
10		WORKPLACE VIOLENCE	SECURITY	ALL
11		RECORDS MANAGEMENT	COMPLIANCE	CORPORATE COMPLIANCE
12		EMAIL/INTERNET MISUSE	ETHICS, SECURITY, BC	CORP. COMPLIANCE
13		CREDIT CARD MISUSE	SECURITY, BC	ALL
14		INDEPENDENT CONTRACTORS	AUDIT, BC, ETHICS, SECURITY	SUPPLY CHAIN & HR
15		VENDOR MANAGEMENT	AUDIT, BC, ETHICS, SECURITY	SUPPLY CHAIN
16	NETWORK ISSUES	COST SAVING OPTIONS	AUDIT	AUDIT
18		ASSESS MANAGEMENT	AUDIT, BC, SECURITY	NETWORK
19		PROVISIONING	AUDIT, BC	NETWORK
20		CENTRAL OFFICE PHYSICAL SECURITY	AUDIT, SECURITY	NETWORK & REAL ESTATE
21		LOGICAL SYSTEM SECURITY	AUDIT, BC	NETWORK & BTG
22		WHOLESALE OPERATIONS	AUDIT, COMPLIANCE	NETWORK

FIG. 22

# TEST ITEM ANALYSIS REPORT

LONG DISTANCE COMPLIANCE  
ALL ENTITIES  
DATES FROM 08-01-2005 TO 11-07-2005

QUESTION	NO. RIGHT	NO. WRONG
FROM THE LIST BELOW, SELECT ALL COMPANY AFFILIATES THAT ARE EITHER SUBJECT TO OR TREATED AS SUBJECT TO SECTION 272	49803	12538
COMPLIANCE WITH SECTION 272 OF TELECOMMUNICATIONS ACT OF 1996 IS IMPORTANT BECAUSE:	21036	22122
THE TELECOMMUNICATIONS ACT OF 1996 REQUIRES NON-PREFERENTIAL TREATMENT TOWARDS ALL LONG DISTANCE SERVICE PROVIDERS	10454	19654
FROM THE FOLLOWING LIST, CHOOSE ALL THAT APPLY:	4197	38128
BU#1 AND BU#2 MUST MAINTAIN SEPARATE BOOKS OF ACCOUNTING, OFFICERS, DIRECTORS AND EMPLOYEES	25261	1008
BU#1 AND BU#2 CAN ENGAGE IN JOINT MARKETING OF PRODUCTS, INCLUDING PLANNING, DESIGN, AND DEVELOPMENT	15592	13472
BU#1 IS SUBJECT TO ANNUAL SECTION 272 AUDIT	14999	14137
COPIES OF BU#2 CONTRACTS CAN BE FOUND ON THE BU#2 WEBSITE	13222	14914
ONLY BU#1 AND BU#2 EMPLOYEES MUST COMPLY WITH SECTION 272 REQUIREMENTS	16681	8942
EMPLOYEES OF BU#1 CANNOT TRANSFER OR BE LOANED TO BU#2	17681	5839

FIG. 23



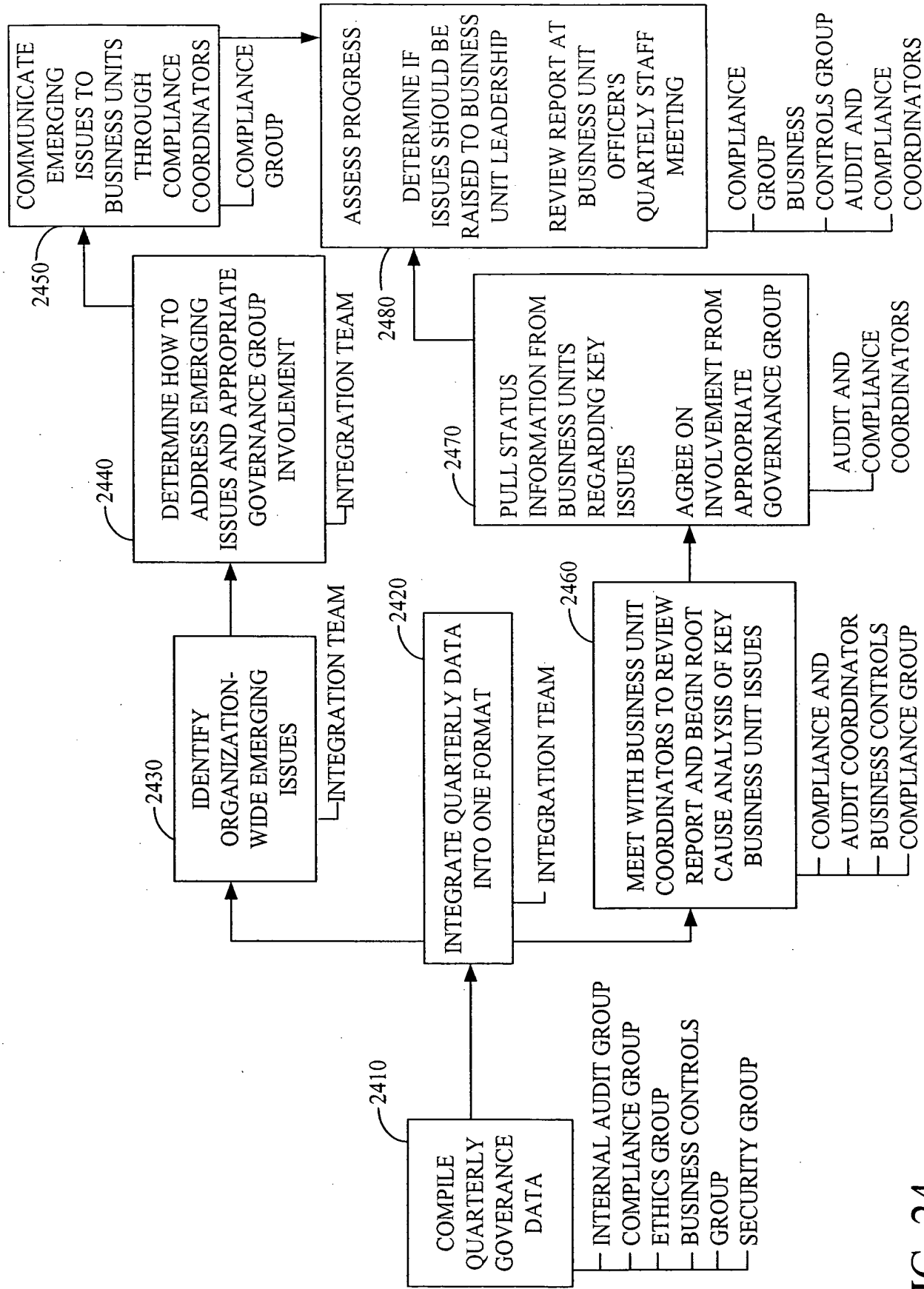


FIG. 24